

Actual Production, Not Parasites, Is the Solution

by John Hoefle

When the world's largest bond speculator and the British Empire's Royal Institution of Chartered Surveyors both feel compelled to call for the governments to bail out the financial markets, you know things are not going well. PIMCO, the bond fund, is warning of a "financial tsunami" unless the U.S. government begins widespread buying of financial assets, while RICS, the surveyors, wants the British government to issue mortgage-backed securities guaranteed by the Bank of England.

These hare-brained proposals reflect the growing panic in the financial markets, as the vaporization of financial assets relentlessly destroys the balance sheets, not only of banks and funds, but also of households and entire sectors of the economy. These market parasites may not yet be willing to admit what Lyndon LaRouche saw last Summer, namely that the financial system is dead and cannot recover, but they are beginning to see the writing on the wall. But, whether they understand it or not, their game is over.

Save the Debt?

PIMCO, based in California, is the world's largest bond fund, managing some \$830 billion in assets. It is owned by Allianz, one of the world's largest insurance companies and a key player in the global insurance/reinsurance cartel. Insurance companies like Allianz and its Venetian competitor Assicurazioni Generali are tightly connected to the *fondi*, the family funds of the ancient European financial aristocracy. These families

have, for centuries, used debt to control governments, businesses, and people, and their view that the debt is sacred and must be paid, no matter what the cost to nations and their populations, is a cornerstone of the Anglo-Dutch Liberal system.

RICS, the royal surveyors, modestly describes itself as "the pre-eminent organization of its kind in the world. As such, it represents everything that is good in the property profession." RICS also brags that "our members offer the very best advice," a claim that is demolished by their idiotic call for a government bailout. Its pomposity notwithstanding, RICS is merely a mouthpiece for the financiers of the City of London, who are far more pompous, and in decidedly more trouble.

The claim made repeatedly is that governments must bail out the financial markets because the consequences of not doing so are too dire to contemplate. At least in public, the attempt is made to pretend that the bailout is necessary to save the "little people" and their homes; but what the plans are really designed to do is save the big mortgages those little people owe, and the mountain of speculative debt piled upon those mortgages.

What is being protected is the ability of the financier oligarchy to collect its debt payments, by transferring private debts to governments, and thereby to the taxpayers, with governments serving as the debt collectors. It is a perversion of the proper role of government.

PIMCO's Bill Gross, in his September 2008 *Investment Outlook*, argues that the global financial system is

undergoing a “systematic debt liquidation,” and that what is needed is “the entrance of new balance sheets, and a new source of liquidity willing to support asset prices.” While some will complain about “bailouts for Wall Street and the rich, common sense can lead to no other conclusion: if we are to prevent a continuing asset and debt liquidation of near historic proportions, we will require policies that open up the balance sheet of the U.S. Treasury—not only to Freddie and Fannie but to Mom and Pop on Main Street U.S.A., via subsidized home loans issued by the FHA and other government institutions.”

Common Sense

Gross’s argument is a self-serving fraud, especially the part about Mom and Pop. Gross is essentially a bond trader, whose world revolves around collecting on debt, and few traders—and bankers—understand much about economics. Common sense will tell you, if you think about it, that a closed system cannot bail itself out, that any effective intervention must come from the outside.

The U.S. economy is suffering from two main problems. First, our industrial and manufacturing base has eroded to the point where we operate below breakeven, unable to produce what we need to survive. Second, we have compensated for this shortfall by going deeply into debt on every level, from government to business to household. We turned our economy into a house of cards that has now collapsed. What the speculators would have us do is to bail out that mountain of debt by creating an even bigger mountain, which itself would ultimately require a bailout, in what amounts to an infinite bailout.

Furthermore, the attempt to run this infinite bailout is highly hyperinflationary, as the money pumped into the system in such a scheme adds nothing to the productive capacity of the economy, just more money to support more fictitious assets. It is but more of the same poison which has already killed us.

The solution, the only solution, is to admit that the existing debt is unpayable, that not only can it not be paid, but that the attempt to do so only does more damage to the economy and the nation. This is step one, and until enough people accept it, there is no possibility of recovery. It may be painful, but it is reality, and accepting reality is always less painful than the alternative, in the long run.

Once you accept that it can’t be paid, then the obvious next step is to write it off, in a manner equivalent to

a bankruptcy proceeding. The premise of a bankruptcy proceeding is that what is viable is saved, and what is not is written off, in such a way that the person, or business, can get back on his feet. In this case we’re talking about putting the U.S. financial/economic system through bankruptcy, using the powers given to the United States government by the Declaration of Independence, which establishes the general framework, and the Constitution, which provides the mechanism. Paramount is the protection of the General Welfare: The protection of the people’s right to life, liberty, and the pursuit of happiness is the essence of the American System, and the essence of American law.

Build Our Way Out

Since speed is of the essence in solving this crisis, we cannot wait until the Gordian Knot of global finance is untied and all claims evaluated. That process will take years, perhaps decades, so the solution is to freeze the entire mess while we concentrate on the priorities: Home foreclosures would be halted while things are sorted out; essential goods and services would continue to flow. Grocery stores would have food, hospitals would stay open, water and sewer systems would continue to operate, schools would stay open.

At the same time, the U.S. government, using its Constitutional powers, would begin to issue low-interest credit for these and other essential activities, and to rebuild our moribund productive base and depleted infrastructure. The idea is to restore productivity as quickly as possible, using the best available technology, so that we again become a producer of wealth, rather than a mere consumer. Nuclear power, magnetically levitated (maglev) trains, hydrogen-powered cars, and a host of other new technologies which already exist or which would flow from these developments, would transform our economy into one far more powerful than we had before we so foolishly destroyed it.

This is common sense, and it is also the philosophic and scientific essence of what made America great. We are not a nation of parasites, like the British Empire, but a free nation devoted to lifting the world out of the empire-dominated medieval feudalism and colonial looting which prevailed before we took the stage. We have lost much of this, but we can, and must, return to what we can be. The time is short, the challenge is great, but we can do it.

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